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[REDACTED]

USSR: Foreign Minister Gromyko does not appear to have made much progress toward ameliorating the Soviet Union's problems with Egypt. The communiqué following his five-day visit referred unabashedly to "detailed debates" between the two sides and otherwise gave little evidence that Gromyko got any further with the Egyptians than Brezhnev did with Foreign Minister Fahmi in January.

As they did after Fahmi's visit to Moscow, the Egyptians paid lip service in the communiqué to the "importance and necessity" of Soviet participation in all stages of the Middle East peace negotiations, including the working committees at the moribund Geneva conference. Cairo did not make any new commitment to the Soviets on this score.

The two foreign ministers traded rather pointed remarks in banquet speeches on the eve of Gromyko's departure. Fahmi characterized their talks as "frank" and referred on two occasions to the five-year hiatus between Gromyko's visits to Cairo. For his part, Gromyko repeated a warning he made a few days earlier in Damascus that the Arabs should be wary of those who want to substitute "partial solutions" for a real settlement and who want to set the Arabs and their "allies" against each other. These statements, implicitly aimed at the US, were not echoed in the communiqué.

In his speech, Gromyko emphasized that "a drifting apart must not be permitted" and seemed to imply that continued Soviet military and economic support was contingent on Cairo's doing its part to keep relations in repair.

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[REDACTED]

[REDACTED] The
communiqué made no mention of bilateral economic or
military matters. The Soviets did pledge to assist
in opening the Suez Canal, but only "in principle."

Gromyko also found an appropriate occasion to
make plain Moscow's objections to Sadat's domestic
moves toward economic liberalization. He noted that
Moscow hoped the state sector of the economy would
undergo further strengthening, "without which progres-
sive socio-economic changes are impossible."

He apparently made no effort to soothe Sadat's
irritation that Moscow has not responded to a long-
standing invitation for a visit by one of the top
three Soviet leaders to Egypt in return for Sadat's
visits to Moscow. Although there was speculation
before Gromyko's trip that a visit by President
Podgorny would be announced, the communiqué merely
noted that an invitation to Brezhnev had been "re-
newed."

Gromyko met with Palestinian leader Yasir Arafat
in Cairo. This is the first time the Soviets have
publicly acknowledged a meeting between one of their
top leaders and the fedayeen, and the announcement
represents a small step toward formal Soviet recogni-
tion of Arafat and his Palestinian Liberation Organ-
ization as spokesman for the Palestinians.

[REDACTED]

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*ISRAEL: Prime Minister Golda Meir announced last night that Moshe Dayan would rejoin her cabinet, which she is to ask President Katzir to approve today. The other hold-out, Shimon Peres, went along with Dayan.

A Jerusalem radio correspondent subsequently reported that a meeting of the National Religious Party leadership this afternoon will reconsider the party's refusal to join the Alignment coalition.

Mrs. Meir's announcement followed an emergency meeting of the cabinet at which chief of staff Elazar and military intelligence chief Zeira reported on undisclosed security matters. It is possible that a developing security threat--such as Syrian military preparations--provided a reason or excuse for Dayan to close ranks. [REDACTED]

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*ETHIOPIA: Emperor Haile Selassie yesterday announced major constitutional changes in an attempt to calm continuing civilian and military unrest.

The Emperor, in a nationwide address, said he had directed Prime Minister Endalkatchew to call a constitutional conference to draw up new arrangements making the prime minister responsible to Parliament, guaranteeing civil rights, streamlining court procedures, and clarifying relations among the branches of the government.

The Emperor's statement marks a major milestone in the transformation of Ethiopia's politics, set in motion by the regime's attempt to cope with two weeks of disorders. The promised constitutional arrangements would curtail the virtually unlimited authority of the Emperor and seem to place Ethiopia on the way to becoming a constitutional monarchy. They constitute a significant concession to demands for political liberalization by groups outside the hierarchy, including some of the military. The Emperor and his closest associates have recognized that political change is necessary, but they hope to control its pace and general direction. The writing of a new constitution will take time, and the new arrangements may be resisted by powerful nobles who fear a threat to their privileged positions. Dissident groups will become impatient if the process is too prolonged and will be sensitive to any signs that the regime is not sincerely committed to a more democratic form of government.

The regime presumably believes it must make political concessions, in part, to offset its inability because of limited financial resources to meet the economic demands of workers and teachers. The pay increases granted dissident troops to end their revolt have seriously strained the budget and at the same time encouraged civilians to assert claims for an improvement in their economic condition.

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The Ethiopian labor confederation is planning to call a general strike Thursday in support of a 16-point list of demands, including a sizable wage increase and greater protection for labor's right to strike and organize. Labor leaders evidently plan for the strike to last for one or two days to demonstrate labor's strength; they do not appear to be trying to bring down the government. The strike could lengthen, however, if their demands are not met.

Teachers continue to press demands for salary increases and new educational policies. Their association has split, however, on the question of a return to classes. Militants are not willing to agree to a recommendation by moderates calling for an end to their two-week-old strike until the new government reviews their demands. Students remain restless and may take advantage of the general strike to renew demonstrations against the government.

A majority of military dissidents still seems willing to give the new government a chance, but unrest continues in some units. [REDACTED]

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WESTERN EUROPE: The Energy Coordinating Group will meet on March 13-14 in its first full working session since the Washington energy conference last month.

The reaction of most of the group's 12 members to the proposed next steps for cooperation among the oil-consuming nations is generally favorable. Several countries, however, want to increase the number of participants in the work of the coordinating group and there is also concern that the commitments called for may be too sweeping. The Europeans profess to see no conflict between the decision of the EC Nine to sound out the Arab states on economic and cultural cooperation and the broader US-initiated proposals for collaboration among oil-consuming nations.

The French are prepared to participate in the energy discussions, provided they are open to all the 24 industrialized countries which are the members of the Organization of Economic Cooperation and Development, rather than being restricted to the five larger EC members, Norway, Canada, Japan, and the US, as outlined in the terms of reference of the coordinating group. The smaller EC members are inclined to favor enlargement of the discussion groups.

The West Germans are wary of far-reaching commitments and have taken the position that measures to dampen energy demand must be in harmony with the governments' economic-growth aims, that a new "ethic" of consumption is too lofty an aim, and that understandings in the form of "agreements" appear too ambitious. The Norwegians have pointed out that the goal of accelerating the development of conventional sources of energy raises highly sensitive domestic issues in Norway. Oslo has been stressing the importance of conserving the country's nonrenewable oil and gas resources.

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UNITED KINGDOM: Prime Minister Wilson almost certainly will pursue a moderate course over the next several months in order to keep Liberal support for his program. In the near term, he can count on both the Tories and Liberals not to bring down the government except on a point of fundamental principle. Politicians and political commentators, however, expect Wilson to call new elections, possibly by the end of the year.

Most of Wilson's cabinet served in the previous Labor government. He named Michael Foot, a responsible left-wing member of the party who should have the trust of the unions, as the new secretary of state for employment. Foot's first move was to meet with the miners' chiefs to try to settle the strike, now in its fourth week. The president of the miners later announced that he hopes to resume talks with the National Coal Board today. Wilson himself met with industry and union leaders yesterday to discuss the economic situation.

Wilson's immediate aims are to end the strike, return to a five-day work week as soon as possible, and introduce a budget that will effectively combat inflation, reduce the staggering balance-of-payments deficit, and still fulfill Labor's pledge to redistribute wealth. The budget is likely to call for a defense cut--a measure either party would have been forced to consider.

Wilson's full program will be revealed next Tuesday in the Queen's speech. Once the immediate problems are somewhat under control, the Prime Minister is likely to turn to other portions of his party's manifesto that almost certainly will gain Liberal support, such as the repeal of the Industrial Relations Act.

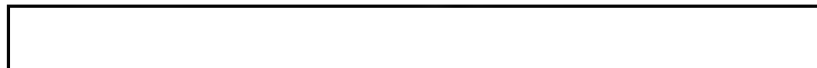
In view of Labor's minority in Parliament the left-wing may not press Wilson, at least initially, to pursue the radical measures they favor. One leading Liberal spokesman has cautioned that his party would bring down the government if it tries to implement any new nationalization.

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Although the Liberals might be willing to tolerate some debate on EC entry terms, they would not favor a hard-line approach to the other EC countries, nor would they even consider any talk of withdrawal. One moderate Labor cabinet minister suggested just prior to the election that appeals may be made to the Germans to support enlarging the regional fund to make membership more palatable to the British people. If Britain receives such benefits, this may reduce pressure for renegotiation at least until Wilson receives a stronger mandate from the electorate.

Meanwhile, former prime minister Heath has received the support of his party's backbenchers. There had been wide speculation he might be asked to step down as party leader. [REDACTED]

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PORTUGAL: The country's top leaders are deeply divided over the government's overseas policy.

General Spinola's recently published book call- for self-determination for the Portuguese African territories has led to demands from the right wing, led by President Thomaz, for his removal as vice chief of staff of the armed forces. Prime Minister Caetano is also under attack from this group, which is said to have the support of three cabinet mem- bers, for allowing the book to be published.

Spinola will be difficult to oust. He is a highly respected patriot with wide support in the armed forces, including from his boss General Costa Gomes. Reformist circles have rallied around Spinola and are demanding the removal of Thomaz.

Caetano has tried to appease both sides in this dispute, but in a crunch he will probably side with Spinola. Caetano also has the support of the Council of State--the potential arbiter in a polit- ical crisis--the majority of the cabinet, the dis- trict governors, and the National Assembly.

Thomaz has the constitutional right to dismiss Caetano, but the political realities of the situa- tion make this an unlikely course of action.

Caetano plans to make a strong pitch for rec- onciliation in a speech to the National Assembly and to ask for a vote of confidence. He undoubtedly will get his vote, but it will not dispel the bit- terness over this issue that is going to make it difficult for the opposing factions to remain in the government. [REDACTED]

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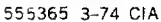
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BURMA: The Burmese Army last week routed a Communist force in easternmost Shan State that had threatened an important population center for at least a month. The army first ejected the Communists from Mong Yu, a forward position east of Mong Yawng, the only major government outpost in the eastern salient of Shan State; it had been held for two weeks. Government forces then pushed the Communists across a river into an area Rangoon has long implicitly conceded to them. The loss of Mong Yawng would have endangered the administrative center of Kengtung, 55 miles to the west.

The military continues to hold its own against Communist insurgents elsewhere in Shan State. West of Kengtung, it repulsed and then pursued a Communist unit that had tried to cut the area's only overland link with the rest of Burma. Northward toward the Chinese border, aggressive Burmese operations have dissuaded the Communists from further attempts to advance toward Kengtung, which they had threatened in late 1973. Recent activity in this region has entailed only small skirmishes and few casualties. [REDACTED]

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CHINA-ZAMBIA: President Kaunda's visit to Peking last week resulted in a new 20-year, interest-free credit--reportedly for \$50 million. Twenty million dollars are to be allocated for road construction in northern Zambia and the balance for other projects to be designated later. This credit follows on the heels of a \$10-million grant by Peking in 1973 for "improving road transport."

The only other major Chinese aid to Zambia has been for construction of the Tan-Zam railroad, which began in 1970. After the completion of the Tanzanian section of the railway last year, major activity shifted to Zambia. By the end of the year, an estimated 15,000 Chinese technicians and laborers were at work on the railroad in Zambia. [REDACTED]

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[REDACTED] If construction progresses as planned, the entire railroad may be completed by the end of 1974, a year ahead of schedule. [REDACTED]

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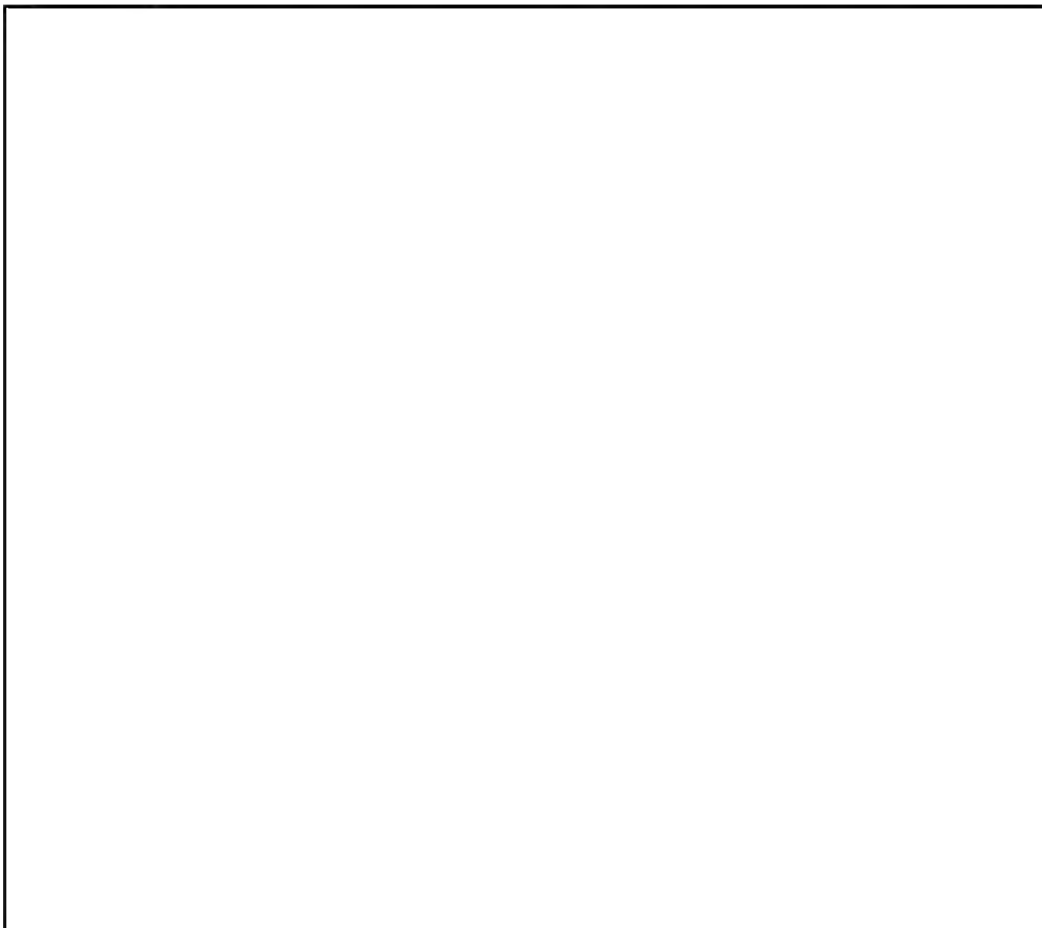
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PHILIPPINES: President Marcos' military advisers are divided over future tactics against Muslim rebels. They are also engaged in mutual recriminations over the armed forces' poor showing in the early stages of the recent sharp fighting on Jolo Island.



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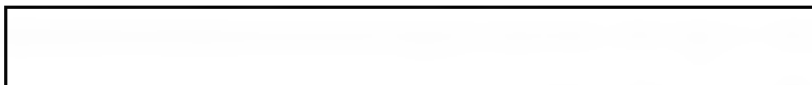
President Marcos' assessment of the Muslim situation in the light of the Jolo experience is not known; generally he has supported reconciliation rather than force. Some of his closest aides are among the hard-liners and he may authorize more aggressive tactics against the hard-core dissidents. Marcos is aware, however, that overreliance on armed force to solve the Muslim problem could cause an adverse international reaction, especially from Arab oil-producing states. 

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*ARGENTINA: The imbroglio in Cordoba continued yesterday without significant change as the federal Senate approved, after considerable acrimonious discussion, President Peron's request for authority to reorganize the executive branch of the Cordoba provincial government. The bill comes up today for consideration by the Chamber of Deputies, where it is expected to run into much stiffer opposition.

The US Embassy reports that the bill might not even be voted on in the lower house for a week or so, and there is no assurance that it will win the two-thirds majority required by the constitution. A protracted delay in federal intervention in the troubled province would significantly raise the possibility of widespread violence.

Meanwhile, the national government's apparent clumsiness in handling the Cordoba affair is causing strain and unhappiness among moderate leftists within the Peronist movement, according to one long-time member. This element is said to fear that the government's inept performance will impel leftist Peronists to join forces with the movement's leftist extremists who seek armed revolution. Peron's handling of the Cordoba incident is also the reason for the reported plans of Secretary General of the Presidency Vicente Solano Lima, a key Peron lieutenant, to submit his resignation within the next few days.

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*GUATEMALA: The Arana government evidently intends to stick to its original determination to name the administration-backed presidential candidate, General Kjell Laugerud, the winner of Sunday's election, despite increasing indications that opposition candidate General Efraim Rios Montt probably won.

The government continued to play for time yesterday, again delaying the release of fragmentary official voting returns until late in the day. The governing coalition probably sought the extra time in order to engineer sufficient additional fraud to give Laugerud a plurality in the three-man race. This would throw the election into the government-controlled Congress, which then could be expected to pick Laugerud over Rios.

Despite rising tensions over the uncertain electoral picture, Guatemala City remained calm yesterday as supporters of the two main candidates generally restricted their activities to airing charges and countercharges of massive fraud. Rios Montt claimed during a morning press conference that he had won the election and said that "historical responsibility and military honor" required him to reject the government's cheating him of his victory. He invited all "popular sectors" to resist "pacifically." According to a member of the Christian Democracy Party that is backing him, Rios Montt's strategy now will be to encourage legitimate, peaceful protest activity aimed at creating enough public pressure to force the government to hold new elections within six months.

Whether Arana will be able to make the Laugerud "victory" stick will depend heavily on the attitude of the army, which in turn will be influenced by the degree of popular discontent created by the government's fraudulent moves. While the army probably would be reluctant to referee a major confrontation between pro- and anti-government elements, it may be forced to act if violence breaks out.

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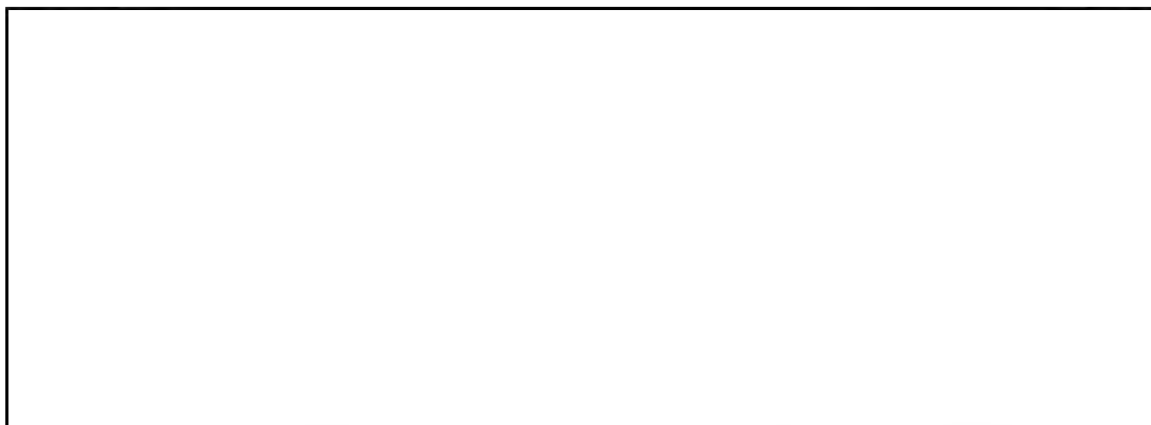
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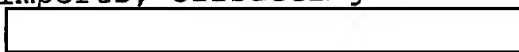
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FOR THE RECORD



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West Germany: Despite rising prices of imported oil, the West German trade surplus reached a near-record level of \$1.2 billion in January. The figure represents an increase of \$100 million over December. Exports and imports each increased by 16 percent above their December levels. The continued sharp rise in exports occurred despite economic slowdowns in those countries that are the major purchasers of German goods. West Germany's own economic slowdown restrained imports, offsetting somewhat the higher oil prices. 

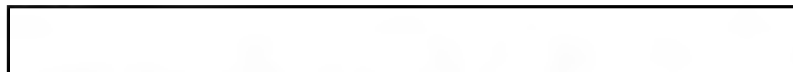
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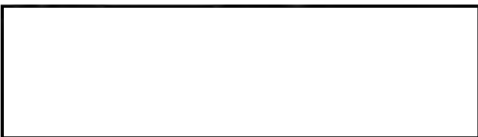
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